



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

November 18, 2008

Michael Dvorkin, President
Oxman College
375 Third Avenue
San Francisco, CA 94118

Dear Mr. Dvorkin:

Enclosed is our final report relative to our review of Oxman College's compliance with Employment Training Panel Agreement No. ET04-0478 for the period November 3, 2003, through November 2, 2005.

We did not receive a response to the draft review report; therefore, our findings and recommendations remain unchanged.

Also enclosed is a demand letter for payment of costs disallowed in the review report. Payment is due upon receipt of this letter. If you wish to appeal the review findings, you must follow the procedure specified in Attachment A to the review report.

We appreciate the courtesy and cooperation extended to our auditor during the review. If you have any questions, please contact Charles Rufo, Audit Director, at (916) 327-5439.

Sincerely,

Original signed by:

Charles Rufo
Audit Director

Enclosures

cc: Lana Dvorkin, Program Coordinator

OXMAN COLLEGE

Agreement No. ET04-0478

Final Review Report

For The Period

November 3, 2003 through November 2, 2005

Report Published November 18, 2008

Charles Rufo, Audit Director
Telephone: (916) 327-5439

Audit Staff: Margie Miramontes

Employment Training Panel
Audit Unit
1100 J Street FL 4
Sacramento CA 95814-2827

ET04-0478.fnl

TABLE OF CONTENTS

	<u>Page Number</u>
REVIEW REPORT	
Summary	1
Background	2
Objectives, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	3
Appeal Rights	3
Records	3
SCHEDULE 1 - Summary of Review Results	4
FINDINGS AND RECOMMENDATIONS	5
 <u>ATTACHMENTS</u>	
ATTACHMENT A - Appeal Process	
ATTACHMENT B - Table of Disallowed Trainee	

REVIEW REPORT

Summary

We reviewed Oxman College's compliance with Agreement No. ET04-0478, for the period November 3, 2003, through November 2, 2005. Our review pertained to training costs claimed by the Contractor under this Agreement. Our review was performed during the period May 16, 2007, through July 30, 2007.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$366,408. Our review supported \$359,865 is allowable. The balance of \$6,543 is disallowed and must be returned to ETP. The disallowed costs resulted from one trainee who did not meet full-time employment requirements. In addition, we noted an administrative finding for inaccurate reporting of trainee wage rates.

REVIEW REPORT (continued)

Background

Founded in 1991, Oxman College is a private vocational school which specializes in providing customized training programs to California employers. Oxman College training facilities are located in Sacramento, San Francisco, Glendale, and Los Angeles, California.

This is the 7th ETP Agreement with Oxman College. The training was to prepare trainees to meet the skill requirements for entry-level jobs in the medical and insurance industry. This Agreement provided Commercial Skills training, which included modules in Medical Billing and Coding and Insurance Techniques for unemployed or displaced workers. Oxman College obtained approval for the course work in this project from the Bureau for Private Post Secondary and Vocational Education (BPPVE).

This Agreement allowed Oxman College to receive a maximum reimbursement of \$785,160 for training 120 new-hire trainees. During the Agreement term, the Contractor trained and placed 56 trainees and was reimbursed \$ 366,408 by ETP.

Objectives, Scope, and Methodology

We performed our review by authority of Title 22 California Code of Regulations, Sections 4443 and 4448. Our scope was limited to reviewing the Contractor's compliance with trainee eligibility and post-training requirements specified in the Agreement. We did not review the Contractor's records for compliance with training attendance or other Agreement requirements.

Specifically, our review scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees were employed continuously full-time with a participating employer for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.

Conclusion

As summarized in Schedule 1, the Summary of Review Results, and discussed more fully in the Findings and Recommendations Section of our report, our review supported \$359,865 of the \$366,408 paid to the Contractor under this Agreement is allowable. The balance of \$6,543 is disallowed and must be returned to ETP.

REVIEW REPORT (continued)

Views of Responsible Officials

The review finding was discussed with Ms. Lana Dvorkin, Program Coordinator, during a telephone exit conference held on October 17, 2007. A draft review report was issued to the Contractor on October 7, 2008. The Contractor did not respond in writing to the draft review report.

The issuance of your final audit report has been delayed by the audit unit. Therefore, ETP waived the accrual of interest for the disallowed costs beginning October 26, 2007, through the issue date of this final audit report. The interest waiver (adjustment) was \$647.13, which was deducted from the total accrued interest.

Appeal Rights

If you wish to appeal the review findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).

Records

Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Charles Rufo
Audit Director

Fieldwork Completion Date: July 30, 2007

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET04-0478 and should not be used for any other purpose.

SCHEDULE 1 – Summary of Review Results

OXMAN COLLEGE

AGREEMENT NO. ET04-0478

FOR THE PERIOD

NOVEMBER 3, 2003 THROUGH NOVEMBER 2, 2005

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$ 366,408</u>	
Disallowed Costs:		
Full-Time Employment Requirement Not Met	6,543	Finding No. 1
Inaccurate Reporting	<u>-</u>	Finding No. 2
Total Costs Disallowed	<u>\$ 6,543</u>	
Training Costs Allowed	<u><u>\$ 359,865</u></u>	

* See Findings and Recommendations Section.

FINDINGS AND RECOMMENDATIONS

FINDING NO. 1 – Oxman College received reimbursement for one Job No. 1 trainee Full Time who was not employed full-time during the post-training retention Employment period. As a result, we disallowed \$6,543 in training costs claimed Requirements Not for this trainee. Noncompliance with full-time employment Met requirements was previously disclosed in our audit of ETP Agreement Nos. ET9-0823 and ET00-0280.

Exhibit A, Section VII, Paragraph A of the Agreement between Oxman College and ETP states, “Each trainee must be employed full-time, at least 35 hours per week, with a single participating employer for a period of at least ninety (90) consecutive days immediately following the completion of training... The retention period shall be completed no later than the last day of this Agreement...”

Oxman College reported that Trainee No. 1 earned \$10.00 per hour and completed a 90-day retention period from July 1, 2005 through September 30, 2005. The trainee’s employer reported that Trainee No. 1 was hired as a Medical Record Clerk on March 7, 2005, and was employed only 30 hours per week at \$15.34 per hour. Employment Development Department (EDD) base wage information supported the trainee did not meet the full-time employment requirement for any 90-day period subsequent to the trainee’s hire date through the Agreement term date [Note: Trainee No. 1 was terminated from employment on November 15, 2005].

Recommendation Oxman College must return \$6,543 to ETP. In the future, the Contractor should ensure trainees meet post-training retention requirements prior to claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 2 – Trainee hourly wage rates reported by Oxman College on invoices submitted to ETP were inaccurate. As a result, the Contractor did not comply with Agreement reporting requirements. Noncompliance with reporting requirements was previously disclosed in our audit of ETP Agreement Nos. ET9-0823, ET00-0280, and ET01-0253.

Inaccurate
Reporting

Paragraph 2(d) of the Agreement states, “Contractor shall submit invoices and necessary statistical data to ETP in a form and manner prescribed by ETP.”

Accurate, complete trainee wage rate information is required to verify compliance with Exhibit A, Section VII, Paragraph A of the Agreement. This section states, “Each trainee must be employed full time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

We documented actual trainee wage rates for 12 trainees. Actual wage rates were identified from employer payroll records or written confirmations provided by employers. Trainee wage rates reported by Oxman College varied by more than 5 percent from the employer reported wage rates for 7 of the 12 trainees (58 percent).

Recommendation In the future, Oxman College should ensure all trainee data submitted to ETP is accurate and complete. Inaccurate or incomplete data may result in repayment of unearned funds, plus applicable interest, to ETP.

ATTACHMENT A - Appeal Process

4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
 - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
 - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
 - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
 - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
 - (2) Conduct a hearing on a regularly-scheduled meeting date; or
 - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
 - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
 - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

Amended: December 30, 2006